



# County of Los Angeles CHIEF EXECUTIVE OFFICE

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February 8, 2013

To: Supervisor Mark Ridley-Thomas, Chairman  
Supervisor Gloria Molina  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: William T Fujioka  
Chief Executive Officer

## **SACRAMENTO UPDATE**

This memorandum contains a pursuit of a County-position on **ABX1 1 (Perez) and SBX1 1 (Hernandez and Steinberg)** related to the expansion of the Medi-Cal Program as provided under the Federal Affordable Care Act.

### **Pursuit of County Position on Legislation**

**ABX1 1 (Perez) and SBX1 1 (Hernandez and Steinberg)**, which as introduced on January 28, 2013, are identical measures that cite legislative intent to expand Medi-Cal eligibility to persons with incomes up to 133 percent of the Federal Poverty Level. The bills also would make various changes related to Medi-Cal Program eligibility to conform to provisions of the Federal Affordable Care Act (ACA).

### **Background**

The Affordable Care Act expands eligibility for Medicaid by requiring participating states to cover nearly all adults under age 65 with household incomes at or below 133 percent of the Federal Poverty Level beginning January 2014. States which elect to expand Medicaid eligibility will be reimbursed at a 100 percent Federal match rate from 2014 through 2016 phasing down to a 90 percent Federal match by 2020. States will be responsible for the 10 percent match thereafter. Under the ACA, states must provide a benchmark benefits package to people who are eligible under the expansion group.

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The law also requires states to simplify the enrollment procedures and establishes the Modified Adjustment Gross Income (MAGI) methodology for determining financial eligibility to Medicaid with no asset test for persons currently eligible to Medicaid. Individuals who qualify for Medicaid based on a disability would be exempt from the MAGI methodology and would continue to have their financial eligibility determined based on existing Medicaid rules. Reimbursement for these individuals would be at the existing Federal match rate which, in California, is set at 50 percent Federal and 50 percent State.

### **Governor Brown's Medi-Cal Expansion Proposals**

As reported in the January 16, 2013 County Analysis of Governor's FY 2013-14 Proposed Budget, the Administration has expressed intent to expand Medi-Cal to most adults under 65 years of age with incomes at or below 133 percent of the Federal Poverty Level beginning January 1, 2014, and has outlined two possible options for the expansion:

- State-Based Option - Under this option, the State would administer the Medi-Cal program and managed care system, and negotiate with counties to determine which additional programs would shift to the counties if the State assumes responsibility for the majority of health care costs.
- County-Based Option - This option would build upon the existing Low-Income Health Program (LIHP) with counties retaining current responsibility for indigent health care services. Counties would be responsible for meeting statewide eligibility standards and act as the fiscal and operational entity for the Medi-Cal expansion. This option would require approval of Federal waivers.

The Administration assumes that county health care expenditures will significantly decline as uninsured individuals move to Medi-Cal or other health care coverage in 2014, and indicated that this will require an assessment of how much funding currently spent by counties for health care services should be redirected to pay for the shift in health care costs to the State. Specifically, the Administration has indicated it plans to redirect 1991 Realignment funding from counties to the State to cover State costs for the Medi-Cal expansion and to require counties to assume greater responsibility for social services programs such as child care, child support, CalWORKs, or CalFresh.

### **Special Session on Health Care Reform**

As previously reported, Governor Brown issued a proclamation on January 24, 2013 calling the Legislature into a Special Session to consider legislation to enact the ACA and instructed the Legislature to consider the following issues: 1) rules governing health care coverage for the individual and small group markets; 2) changes to the Medi-Cal Program necessary to implement Federal law; and 3) options to provide low-cost health coverage for individuals with incomes up to 200 percent of the Federal Poverty Level through the California Health Benefits Exchange. The proclamation does not instruct the Legislature to consider proposals for the Medi-Cal expansion in the Special Session. Instead, the Administration has indicated that this should be considered in the regular session and developed in a discussion with counties.

### **Overview of ABX1 1 (Perez) and SBX1 1 (Hernandez and Steinberg)**

On January 28, 2013, the Senate and Assembly convened in the First Extraordinary Session on Health Care Reform and introduced two identical bills, ABX1 1 (Perez) and SBX1 1 (Hernandez and Steinberg) which provide for the expansion of the Medi-Cal Program. It is important to note that as currently drafted, the bills do not include the Governor's proposals for a State-Based or a County-Based Option to administer the Medi-Cal Program.

Major provisions of the two bills include the following:

- **Transition of Persons Enrolled in the Low-Income Health Program** - Provides a process for the seamless transition of persons enrolled in the LIHP to the Medi-Cal Program effective January 1, 2014, with no loss of health care coverage. Persons enrolled in the LIHP would receive a notice regarding the transition to Medi-Cal at the time of their 2013 redetermination and again at least 90 days prior to the transition. LIHP participants would be allowed to select a Medi-Cal managed care plan which contains his or her existing provider or to choose a different plan if more than one plan is available in the county in which they reside.
- **Income and Asset Rules** - Establishes new income and asset rules including use of the MAGI for the purpose of determining Medi-Cal eligibility.
- **Simplification** - Streamlines and simplifies the Medi-Cal eligibility, enrollment and redetermination processes. The bill also would eliminate the semi-annual Medi-Cal status report.

- **Benefits for Pregnant Women** - Provides pregnancy-related and post-partum services for a 60-day period beginning on the last day of pregnancy and continuing until the end of the month in which the 60<sup>th</sup> day occurs.
- **Benefits for Former Foster Youth** - Extends Medi-Cal to former foster youth up to 26 years of age and deems eligible current foster youth who are age 18 to age 26.
- **Essential Health Benefits Parity** - Requires the State to seek a Federal waiver to provide benefits, services, and coverage included in the State-approved essential health benefits plan as scheduled Medi-Cal services. As enacted in **County-supported AB 1453, Monning**, (Chapter 854, Statutes of 2012) and **County-supported SB 951, Hernandez**, (Chapter 866, Statutes of 2012), which established California's essential health benefits benchmark plan. These services include: 1) ambulatory patient care; 2) emergency services; 3) hospitalization; 4) maternity and newborn care; 5) mental health and substance use disorders; 6) prescription drugs; 7) rehabilitative and habilitative services; 8) laboratory services; 9) preventive and wellness services and chronic disease management; and 10) pediatric services.

### **County Impact**

ABX1 1 and SBX1 1 would directly benefit the County's uninsured residents as follows:

#### **Department of Health Services**

The Department of Health Services (DHS) indicates that currently over 2.2 million people in the County are uninsured. According to DHS, approximately half of these individuals will be eligible for Medi-Cal benefits, which includes many of the approximately 240,000 LIHP participants.

**The Department of Health Services also notes that it has heavily invested in enrollment over 240,000 LIHP-eligible persons into Healthy Way LA (HWLA). ABX1 1 and SBX1 1 would provide for the transfer of those individuals to Medi-Cal effective January 1, 2014, with a 100 percent Federal match. Any delay in this transition could result in the loss of up to approximately \$108.0 million to the County in 2014.**

#### Department of Mental Health

**According to the Department of Mental Health (DMH), approximately 21,840 clients in the LIHP receive mental health services at an estimated County cost of \$32.0 million annually. With the Medi-Cal expansion, DMH notes that these costs will be 100 percent federally reimbursed.** In addition, the Department indicates that the simplified eligibility, income and asset rules and the elimination of the semi-annual report are expected to increase the number of persons who retain eligibility for Medi-Cal benefits and to stabilize access to health care services.

#### Department of Public Social Services

The Department of Public Social Services (DPSS) reports that the Medi-Cal eligibility expansion would have a significant impact on the DPSS caseload. **Additionally, the Department indicates that the provisions in ABX1 1 and SBX1 1, which provide a seamless transition of persons enrolled in the LIHP to the Medi-Cal Program, would mitigate the potential workload increase to the Department due to automation capabilities, as opposed to requiring the processing of all the applications anew.**

The Department of Public Social Services also indicates that HWLA recipients who already receive General Relief based on certain identifiers would automatically transition into Medi-Cal effective January 2014. Also, newly approved General Relief applicants are currently enrolled automatically in HWLA. **DPSS also notes that the Medi-Cal expansion would potentially provide health care coverage to the majority of eligible General Relief recipients.** At this time, DPSS indicates that the amount of the associated workload increase to eligibility staff is undetermined based on available information.

#### Recommendation

This office and the Departments of Health Services, Public Social Services, Mental Health, and the Health Care Reform Implementation Work Group, chaired by Burt Margolin, have analyzed these two bills and recommend a support position on ABX1 1 and SBX1 1 because the bills would provide for the timely expansion of Medi-Cal on January 1, 2014. As previously reported to the Board by DHS, it is critical that the Medi-Cal expansion occur on January 1, 2014. Any delay could result in the potential loss of up to approximately \$108.0 million in Federal funding to the County.

Additionally, as introduced, ABX1 1 and SBX1 1 would provide for a straightforward Medi-Cal expansion with no redirection of 1991 Realignment funds from counties to the State. As previously reported, the Administration's assumption that counties will achieve significant savings beginning in 2014 is premature because the fiscal impact of Health Care Reform will be unknown for a number of years. Despite the implementation of Health Care Reform, the County will retain its mandate to provide health care for all indigent individuals and it is anticipated that many individuals will remain uninsured because they cannot afford to pay health care premiums, lack access to care, including high-cost specialty care, or as a result of their immigration status. **The 1991 Realignment funding is vital to maintaining the County's health care safety net and the proposal to divert or redirect 1991 Realignment funding would undermine the County's ability to prepare for and implement Health Care Reform in a manner which maximizes health care coverage for the residents of Los Angeles County.**

Therefore, unless otherwise directed by your Board, consistent with the existing Board policies to: 1) support proposals to expand health care coverage to the fullest extent allowed under the ACA without eroding existing coverage; 2) support proposals that continue to fund the safety net system to maintain services for populations not covered by the ACA; 3) support proposals that incorporate the Low-Income Health Plans created under the 2010 California Medicaid waiver into the new delivery systems created under the ACA; and 4) support proposals that create comprehensive benefits to the fullest extent allowed under the ACA, including mental health and substance use disorder services, without eroding previously implemented Federal Medicaid options and existing waivers, **unless otherwise instructed by the Board, the Sacramento Advocates will support ABX1 1 and SBX1 1.**

Currently, there is no registered support or opposition on file for ABX1 1 or SBX1 1. ABX1 1 is scheduled for a hearing in the Special Session by the Assembly Health Committee on February 19, 2013. SBX1 1 is scheduled for a hearing in the Special Session by the Senate Health Committee on February 27, 2013.

We will continue to keep you advised.

WTF:RA  
MR:VE:ma

c: All Department Heads  
Legislative Strategist